



May 2013

Floors 3-5, Belfer Building

M-RCBG CELEBRATES 30 YEARS WITH FORUM PANEL



Is America Working? M-RCBG's 30th anniversary forum panel included (l to r): Nina Easton, Roger B. Porter, Lawrence Summers, Paula Dobriansky and Benjamin Heineman, Jr.

To celebrate the 30th anniversary of the Mossavar-Rahmani Center for Business and Government, four panelists came together in the JFK Jr. Forum last month to discuss the role of business and government in America's future. Moderated by *Fortune* magazine senior editor and former IOP fellow Nina J. Easton, the panel discussed a wide range of economic issues facing the U.S. — from the state of its political institutions to global competitiveness.

Roger B. Porter, IBM professor of business and government at HKS, noted that U.S. government spending has increasingly been dominated by mandatory or entitlement spending. "We have lost the flexibility to spend in ways that is going to benefit us and the future generations," Porter said.

Lawrence H. Summers, former Harvard president and now a University Professor at HKS, agreed and added that the assumption that future generations are going to be better off has been challenged. "It is in doubt because the overall trend of economic growth appears to have slowed," Summers said. "The level of inequality and the level of social immobility has deteriorated."

Benjamin W. Heineman, Jr., senior fellow at the Belfer Center for Science and International Affairs, discussed the role of business in the U.S. landscape. According to Heineman, with the shifting focus onto shareholders and the decline of manufacturing, the U.S. has reached an all-time low for trust in corporations.

The shifting economic balance has also affected foreign relations. "The whole question of economics has really come to the forefront...in terms of the overall assessment of our power base," said Paula J. Dobriansky, senior fellow at the Belfer Center and undersecretary for democracy and global affairs in the Bush administration. "I think one of the good news stories is that the U.S. government...has developed public-private partnership," Dobriansky said.

The assertion, however, aroused disagreement from other panelists, citing the fear of "crony capitalism." "To recognize that I am going to do more than anyone else has asked me to. It's that kind of leadership...that we need to see in business and government," Porter said.

The panel ended with a discussion of the state of the U.S. democracy. "Serious concerns have always been there," Summers said. "But I assure you, we will surmount in critical ways for a long time to come."

To read the full *Harvard Crimson* article, visit: www.thecrimson.com/article/2013/4/9/IOP-Forum-Discusses-America/

Seminars & Events

M-RCBG has over 50 seminars and events scheduled for the spring semester. Please visit www.hks.harvard.edu/centers/mrcbg for a complete listing.

Panel discussion: New Ideas for Achieving Economic Inclusion and Mobility in the U.S. **Brigitte Madrian, HKS; Ray Boshara, Federal Reserve Bank of St. Louis; Timothy Flacke, Doorways To Dreams Fund; and Sherry Riva, Compass Working Capital.** Bell Hall, May 2, 11:45am-1pm.



What Happens if Interest Rates Go Up 500 Basis Points?; **Thomas Healey, HKS.** Bell Hall, May 6, 12-1pm.



Over 200 attended M-RCBG's forum event. From top to bottom: A student speaks to panelist Paula Dobriansky; former HKS deans Graham Allison and Joseph Nye, together with Bijan Mossavar-Rahmani, listen to the panelists; and HKS Dean David Ellwood, Frank Weil and former HKS dean Al Carnesale speak after the event.

FACULTY AND PROGRAM UPDATES

Nelson delivers keynote in Mexico City



Last month, CSRI Director **Jane Nelson** gave the keynote speech at *VI Encuentro Latinoamericano de Empresas Socialmente Responsables* (the Sixth Latin-American Gathering of Socially Responsible Companies) in Mexico City. Co-organized by Forum Empresa and the Mexican Center for Philanthropy, the event brought together 1500 participants from all over Latin America.

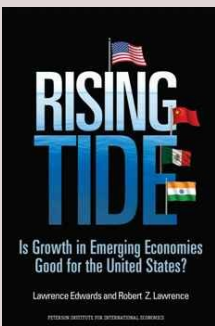
Frankel honored by National Association for Business Economics

Prof. **Jeffrey Frankel** was recently awarded the 2012 Abramson Scroll for an Outstanding Article by the National Association for Business Economics. The article, "What Small Countries Can Teach the World" was published in *Business Economics* in April.

SSP researchers receive sustainable technologies development grant

How can the global innovation system manage the dual objectives of incentivizing the invention of improved technologies, while also ensuring the equitable access to those technologies that is needed to achieve sustainable development? Researchers from the Sustainability Science Program, **Bill Clark** and Laura Diaz Anadon (HKS), Suerie Moon (Harvard Global Health Institute), and Kira Matus (London School of Economics), have received a grant from Harvard's Weatherhead Center for International Affairs to hold a workshop to advance understanding of the global innovation system that is emerging to address sustainable development goals. The issue of innovation for sustainable development is both urgent and high on the public agenda. Cases to be discussed include the absence of new medicines to address health problems in developing countries, limited innovation for varieties of "neglected crops" for which the expertise required is with private firms, and barriers to the deployment of renewable energy technologies and low-cost household level water purification systems. The innovation challenges addressed at the workshop and throughout this research underpin issues of global health, resource management, trade, climate change, and food security. The workshop will be held in September.

Lawrence co-authors book on Emerging Economies



US international economic policy since World War II has been based on the premise that foreign economic growth is in America's economic, as well as political and security, self-interest. The bursting of the speculative dot.com bubble, slowing U.S. growth, and the global financial crisis and its aftermath, however, have led to radical changes in Americans' perceptions of the benefits of global trade. Many Americans believe that trade with emerging-market economies is the most important reason for U.S. job loss, especially in manufacturing, is detrimental to American welfare and an important source of

wage inequality. Several prominent economists have reinforced these public concerns. In this book, Lawrence Edwards and **Robert Z. Lawrence**, Albert L. Williams Professor of International Trade and Investment at HKS, confront these fears through an extensive survey of the empirical literature and in depth analyses of the evidence. Their conclusions contradict several popular theories about the negative impact of U.S. trade with developing countries. They find considerable evidence that while adjusting to foreign economic growth does present America with challenges, growth in emerging-market economies is in America's economic interest. It is hard, of course, for Americans to become used to a world in which the preponderance of economic activity is located in Asia. But one of America's great strengths is its adaptability. And if it does adapt, the authors say, the American economy can be buoyed by that rising tide.

SSP explores climate change and deforestation impacts on Amazon hydropower plants

How are potential impacts of climate change and deforestation being factored in the planning and operation of hydropower plants in the Amazon? The *Sustainable Science Program's Initiative on the Sustainable Development of the Amazon* is examining the linkages between land use decisions in Brazil and their impacts on climate and water availability within the Amazon and surrounding regions. Agricultural expansion and other land use transformation is continuing in the Amazon as global demand for food and biofuel increases and regional economies expand. Professors Paul Moorcroft (Biology) and John Briscoe (HKS and SEAS) are convening a workshop in Brasilia in May to explore the potential impacts of climate change and deforestation on the planning and operation of hydropower plants. They will present their research, in which they link the predictions of hydrologic change from a coupled biosphere-atmosphere model to river hydrology models used to assess hydropower implications of changes in patterns of precipitation, runoff and evapotranspiration. They will seek guidance to maximize the significance and relevance of the model simulations to hydropower management agencies. Meeting participants include key institutions in the hydropower sector, including ANA (National Water Agency), ANEEL (National Energy Agency), MMA (Environmental Ministry), MME (Energy Ministry), EPE (Energy Planning Company) and INPE (Brazil's National Institute for Space Research), the power companies Eletrobras and Odebrecht, and the World Bank, the Inter-American Development Bank, and CAF (Development Bank of Latin America).

Bilmes publishes working paper on wartime spending

Linda Bilmes, Daniel Patrick Moynihan Senior Lecturer in Public Policy, has published a working paper titled, "The Financial Legacy of Iraq and Afghanistan: How Wartime Spending Decisions Will Constrain Future National Security Budgets". The paper has received wide coverage in the Washington Post, Los Angeles Times, New York Times and the Boston Globe. Find it here: www.hks.harvard.edu/centers/mrcbg/publications/fwp.

M-RCBG accepting senior fellow applications

Senior fellows at M-RCBG are distinguished professionals who pursue independent research that contributes to the center's mission. They are expected to complete a substantial writing project during their time here. Those interested in becoming a senior fellow should submit their CV and a three-page description of their proposed project to jennifer_nash@harvard.edu. The application deadline is 5/31.

Gensler on swaps market reform



The derivatives market is about 20 times that of US GDP. While derivatives such as swaps and futures are essential tools for firms in managing risk, without proper regulation these instruments can quickly sow havoc across the economy, as we learned during the financial crisis in 2008.

Gary Gensler, the Chairman of the Commodity Futures Trading Commission (CFTC), recently spoke to the Regulatory Policy Seminar about the new era of financial market regulation after the 2008 financial crisis. Gensler described the progress Congress and the Obama Administration have made in ensuring that derivative markets are more transparent and less vulnerable to manipulation and fraud. He also highlighted the challenges of regulating an industry that is bigger, faster, and more global than ever before.

To read Kevin Rowe's (MPP 2014) full article, visit: www.hks.harvard.edu/news-events/news/articles/gensler-rpp-seminar.